

ANNUAL BUDGET DEVELOPMENT PROCESS

The budget is prepared on a basis consistent with generally accepted accounting principles (GAAP) using an estimate of anticipated revenues and expenditures. In New Mexico, the governmental units typically (1) maintain the accounts and prepare budgetary reports on the legally prescribed budgetary basis to determine and demonstrate legal compliance and (2) maintain sufficient supplemental records to permit presentation of financial statements in conformity with generally accepted accounting principles.

Based upon the prior year budget and current needs, the departments prepare their request for the coming fiscal year. With funds as the basic budgetary unit, the Operating Budget is organized into sets of interrelated accounts to record revenues and expenditures. Fund types include the General Fund, Special Revenue Funds, Debt Service Funds, Capital Improvement Project Funds, Enterprise Funds, Trust and Agency Funds and Internal Service Funds.

The Operating Budget is also structured by Programs which delineate the city departments broad based goals and objectives. Major programs include Government/Management, Public Safety, Public Works, and Community Welfare.

The city prepares its budget at a level of detail similar to the individual fund Statement of Revenues, Expenditures, Transfers and Changes in Fund Balances/Retained Earnings. If adequate fund balance is available from the prior year, and if deemed necessary, the city may budget expenditures in excess of revenues.

Distribution of Budget Worksheets and Supporting Schedules

To initiate the annual budget process, the Budget Office distributes general guidelines, budget request forms, computer printouts and supporting schedules to the departments for preparation of the Operating Budget. Each department completes the budget request forms and returns them to the Budget Office according to the established schedule.

Finance Department Review and Analysis

The Finance Department reviews, analyzes and consolidates the department's requests for the City Manager's budget review.

City Manager's Review of Department Requests

The City Manager, with the assistance of the Finance Director and Budget Director, reviews the department requests, adjusts as necessary, and recommends approval to the Finance Committee of the City Council, of the budget as envisioned for the coming fiscal year.

Reconciliation and Implementation of City Manager Budget Recommendations

The City Manager and the Finance and Budget directors evaluate the city's revenue resources and expenditure requests and develop a City Manager's Recommended Budget for presentation to the Finance Committee.

Finance Committee Review

The Finance Committee holds a series of budget hearings including public hearing(s) in order to prepare a recommendation for final action by the City Council.

City Council Budget Adoption

The City Council then considers the Finance Committee Recommended Budget. Adoption of the annual operating budget is by resolution of the Governing Body.

Submittal of Approved Operating Budget to Local Government Division

By state statute, the Governing Body shall submit its adopted budget by June 1, to the Local Government Division of the state of New Mexico, Department of Finance and Administration (DFA) for review and approval. By July 20th of the new fiscal year, the city submits to the DFA two copies of the approved budget, and prior to the first Monday of September, the DFA certifies the budget with whatever adjustments it deems necessary to comply with state statutes.

Based on final close-out of the previsions fiscal year (ending June 30), final revisions are made to ensure all funds will be solvent cashwise and to rebudget prior year carryovers.

At midyear, the city performs a budget review and adjusts the budget to reflect current conditions.

Budget adjustments which are needed during the fiscal year and which require City Council and New Mexico Department of Finance and Administration, Local Government Division approval include:

1. budget increases,
2. transfers of budget between funds,
3. transfers of cash, both permanent and temporary, between funds, and
4. any combination of the above (regardless of dollar amount).

Other budget adjustments under \$20,000 maybe approved administratively. New Mexico state law prohibits municipalities from making expenditures in excess of the approved expenditures. State law mandates that municipalities develop and operate within the confines of a balanced budget. The total amount which the governing body appropriates in any particular fiscal year (cash balance or reserves) plus anticipated revenues during the fiscal year. As required, the city submits a detailed budget for all funds, even those with zero anticipated revenues and expenditures, which is then legally adopted.